

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L PARAMARIBO 848

E.O. 11652: GDS
TAGS: ETRD NS ECON
SUBJ: GOS PLANNING FURTHER MEASURES TO RESTRICT IMPORTS

REF: PARAMARIBO 777

1. FOLLOWING THE ANNOUNCEMENT OF PLANS FOR NEW REGULATIONS GOVERNING THE IMPORT OF AUTOMOBILES, THE MINISTER OF ECONOMIC AFFAIRS, L. ZUIVERLOON, HAS PUBLICLY DECLARED (IN AN INTERVIEW WITH A LOCAL NEWS AGENCY) THAT CHANGES IN THE AREA OF TRADE POLICY WHICH WILL PROMOTE A BALANCED SOCIAL-ECONOMIC DEVELOPMENT IN SURINAM MUST BE TAKEN AS SOON AS POSSIBLE. SUCH MEASURES WOULD BE DIRECTED AT REDUCING OVERALL EXPENDITURES LIMITING EXCESSIVE CONSUMPTION EXPENDITURES ON LUXURY ITEMS AND IMPROVEMENT OF THE BALANCE OF PAYMENTS (WHICH INCURRED A DEFICIT OF \$17 MILLION IN 1977.) IN ADDITION, CONSIDERATION WILL BE GIVEN TO ENERGY CONSERVATION AND OPTIMUM PROVISION OF SERVICE TO THE PUBLIC.

2. AMONG THE SPECIFIC STEPS WHICH WERE FORECAST BY THE MINISTER ARE (1) RESTRICTION OF IMPORTS OF DURABLE CONSUMER GOODS WHICH ARE ESSENTIALLY LUXURY ITEMS, (2) PRICE CELINGS ON LUXURY ARTICLES; (3) A REQUIREMENT TO ORDER ADEQUATE
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SUPPLIES OF SPARE PARTS FOR IMPORTED MACHINERY; (4) ESTABLISHMENT OF MAXIMUM PROFIT MARGINS; AND (5) A REQUIREMENTS THAT ADEQUATE MAINTENANCE BE PROVIDED.

3. WITH REGARD TO REVISION OF PASSENGER VEHICLE IMPORT REGULATIONS, ZUIVERLOON SUGGESTED THAT QUOTAS WILL BE ESTABLISHED WHICH WILL DIFFERENTIATE BETWEEN LARGE AND SMALL

CARS ON THE BASIS OF WEIGHT, PRICE, AND NUMBER OF CYLINDERS. INVENTORIES OF SPARE PARTS IN THE AMOUNT OF 20 PERCENT OF THE CIF VALUE OF IMPORTED VEHICLES WILL BE REQUIRED AND PROFIT MARGINS WILL BE LIMITED TO 20 PERCENT ON AUTOMOBILES AND 45 PERCENT ON SPARE PARTS. SECOND-HAND AUTOS MORE THAN TWO YEARS OLD WOULD BE BANNED AND SPARE PARTS FOR THOSE THAT ARE IMPORTED WOULD HAVE TO EQUAL 30 PERCENT OF THE VALUE OF THE VEHICLES. LIMITING OVERALL IMPORTS TO A FIXED PERCENTAGE OF THE OVERALL AVERAGE FOR THE YEARS 1975-77 IS ALSO BEING CONSIDERED, AND A FUTURE OF 30 PERCENT HAS BEEN SEEN IN THE LOCAL PRESS.

4. COMMENT: NEW POLICIES OUTLINED BY MINISTER ZUIVERLOON SHOULD BE SEEN IN THE CONTEXT OF GOS EFFORTS TO BRING SURINAM'S BALANCE OF PAYMENTS AND ITS OWN EXPENDITURES UNDER CONTROL. MEASURES BEING TAKEN OR CONSIDERED BY THE FINANCE MINISTRY SUCH AS THE ALREADY ANNOUNCED FREEZE ON GOVERNMENT HIRING AND THE RUMORED FORCED RETIREMENT OF ABOUT 3,000 CIVIL SERVANTS OVER THE AGE OF 60 (ABOUT 7-8 PERCENT OF THE GOS WORK FORCE) ARE DIRECTED TOWARD THE SAME OBJECTIVE. THERE IS A GROWING INFORMED CONSENSUS THAT FIRM MEASURES SUCH AS THESE MUST BE TAKEN BUT THEIR EXACT COMPOSITION IS OPEN TO DEBATE AND THE PUBLIC HAS YET TO FEEL THEIR EFFECTS.

5. IMPORT LIMITING MEASURES WILL UNDOUBTEDLY IMPACT ON THE APPROXIMATELY \$100 MILLION OF IMPORTS WHICH ARE PURCHASED
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ANNUALLY IN THE U.S. IMPORTS OF AMERICAN-MANUFACTURED CARS WILL LIKELY BE AFFECTED, ESPECIALLY IF LIMITS SUCH AS A WEIGHT OF 1,000 KG., AN ENGINE CAPACITY OF 1300 C.C. AND A CIF PRICE OF \$3500 -- AS HAVE BEEN MENTIONED IN THE PRESS-- ARE SET. IN THE LAST TWO YEARS, LARGE NUMBERS OF LARGE AND MEDIUM-SIZE AUTOMOBILES, USED AND NEW, HAVE BEEN COMING INTO SURINAM FROM MIAMI, AND THIS HAS RESULTED IN INCREASED TRAFFIC CONGESTION AS WELL AS CONCERN ON THE PART OF ESTABLISHED DEALERS THAT THEY ARE BEING UNDERCUT. THE LATTER PROBLEM ARISES AS A RESULT OF THE EASE WITH WHICH AN INDIVIDUAL SURINAM CAN TRAVEL TO MIAMI, PURCHASE AND SHIP A CAR AND IMPORT IT INTO SURINAM AT A COST MUCH BELOW LOCAL DEALER PRICES. IMPORTS OF USED CARS HAVE ALSO UPSET THE LOCAL MARKET AND DEALERS WILL BE HAPPY TO SEE COMPETITION FROM THAT DIRECTION DIMINISHED.

6. ACTION BY THE GOS IN THE IMPORT FIELD HAS BEEN EXPECTED FOR SOME TIME, BUT IT REMAINS TO BE SEEN WHETHER THE MEASURES BEING PUT FORWARD WILL ACTUALLY HAVE AN APPRECIABLE EFFECT ON THE FINANCIAL PROBLEMS CONFRONTING THE GOS. IN THE YEARS 1975-77, FOR EXAMPLE, IMPORT LICENSES FOR AUTOMOBILE IMPORTS ARE SAID TO HAVE TOTALLED \$11,

\$18 AND 24 MILLION RESPECTIVELY WITH SLIGHTLY MORE THAN \$7
MILLION GRANTED THROUGH MAY 18 OF THIS YEAR. UNLESS ARTIFICIAL
SHORTAGES ARE CREATED BY THE NEW REGULATIONS-- AND THE GOS
APPARENTLY WANTS TO AVOID THIS AND POSSIBILITY OF A
RESULTING BLACK MARKET IN AUTOMOBILES--SIGNIFICANT AMOUNTS OF
FOREIGN EXCHANGE WILL CONTINUE TO BE SPENT ON AUTO IMPORTS
TO MEET CONTINUING HIGH LOCAL DEMAND. GENUINELY RESTRICTIVE
MEASURES WHICH WOULD PRODUCE A REAL IMPACE WILL ALSO BRING
FORTH PUBLIC CRIES OF ANGUISH AND REQUESTS FOR SPECIAL TREAT-
MENT, AND A GOVERNMENT WITH AN ELECTROAL MAJORITY AS THIN AS
THIS ONE HAS WILL HAVE TO DEMONSTRATE CONSIDERABLE POLITICAL
COURAGE TO STAND FIRM.

LORTON

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